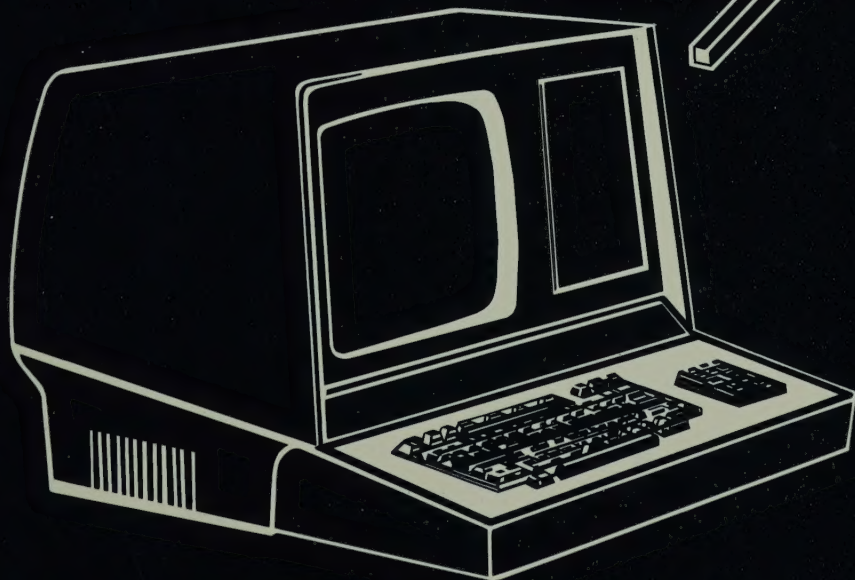
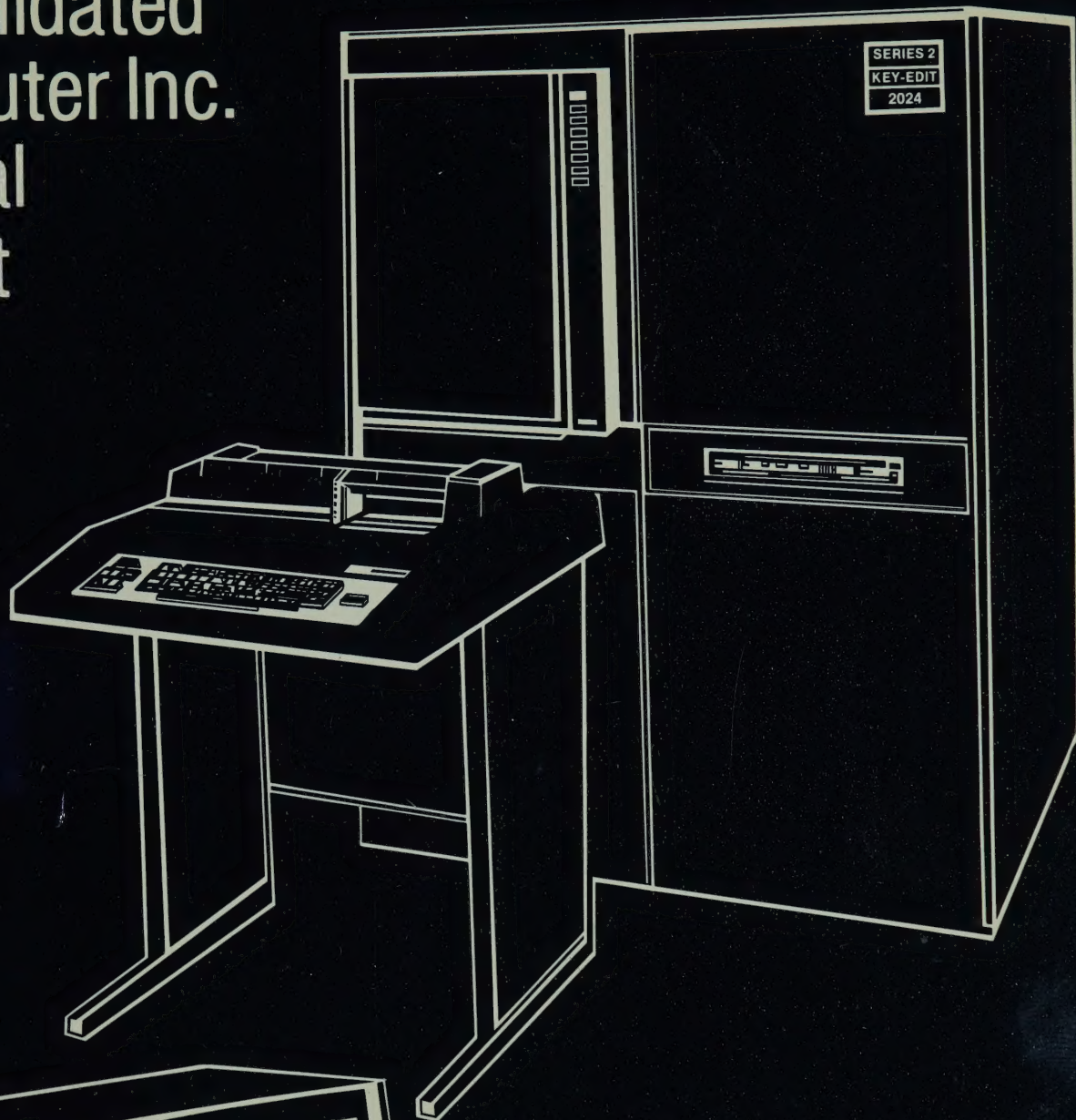


AR45

# Consolidated Computer Inc. Annual Report 1977



**CONSOLIDATED  
COMPUTER INC.**

## Corporate Directory

### DIRECTORS

**D.C. Early**  
Greenshields Inc.

**Rinzo Iwai**  
General Manager, Small Scale Computer Systems Division  
Fujitsu Limited, Tokyo, Japan

**J.H. Joyce**  
Chairman & Chief Executive Officer  
Ontario Development Corporation

**D. Kendall**  
Chairman, Enterprise Development Board

**D.G. Kilgour**  
Partner, Kilgour, World, Flood & Ronson

**L.K. Sellmeyer**  
President & Chief Executive Officer  
Consolidated Computer Inc.

**J.H. Tory**  
Partner, Tory, Tory, Des Lauriers &  
Binnington

### OFFICERS OF THE COMPANY

**L.K. Sellmeyer**  
President & Chief Executive Officer

**D.C. Heuston**  
Vice President, Finance & Treasurer

**P.C. Baines**  
Vice President, Marketing

**W.H.C. Kooij**  
Vice President, Advanced Systems  
Development

**D.G. Kilgour**  
Secretary

### REGISTRAR AND TRANSFER AGENT

Royal Trust Company

### BANKERS

The Toronto-Dominion Bank  
First National Bank of Boston

### AUDITORS

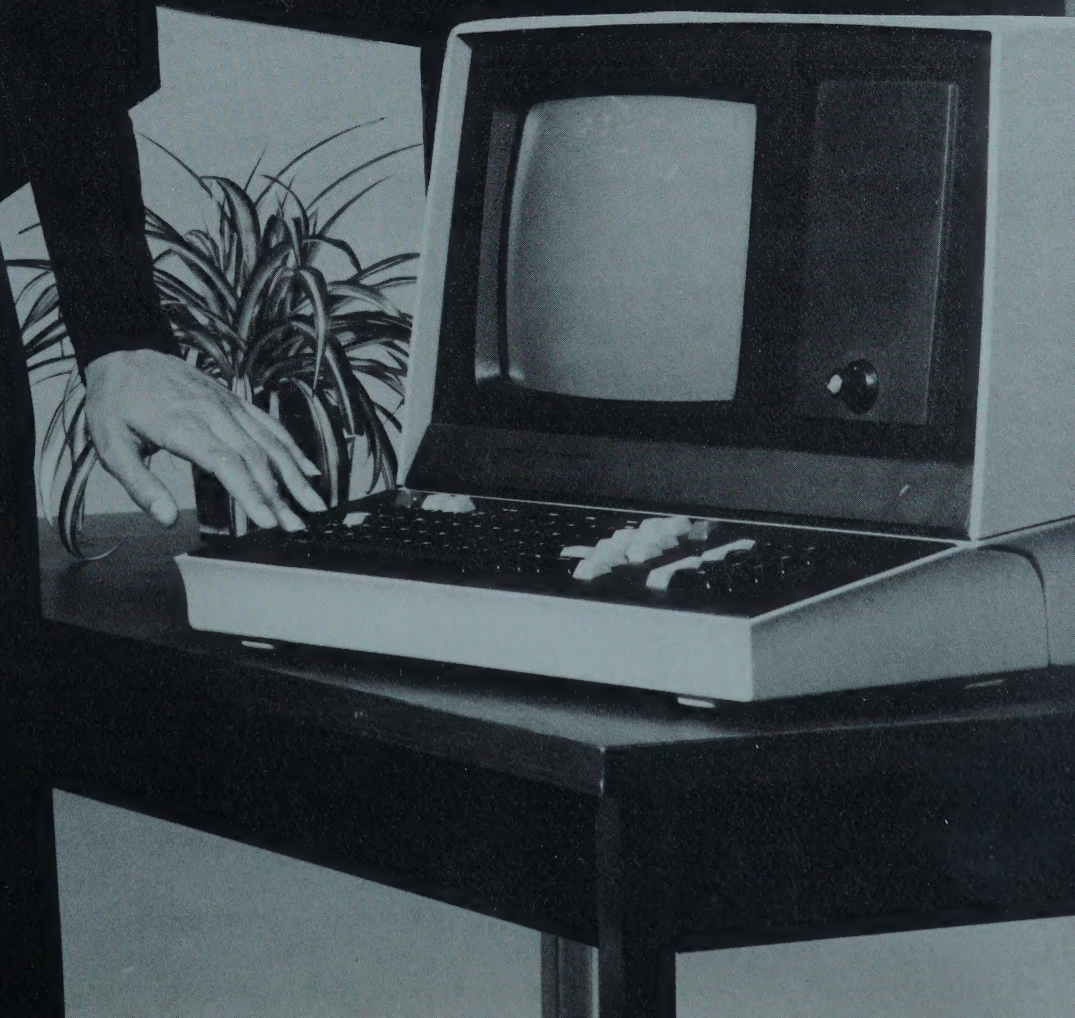
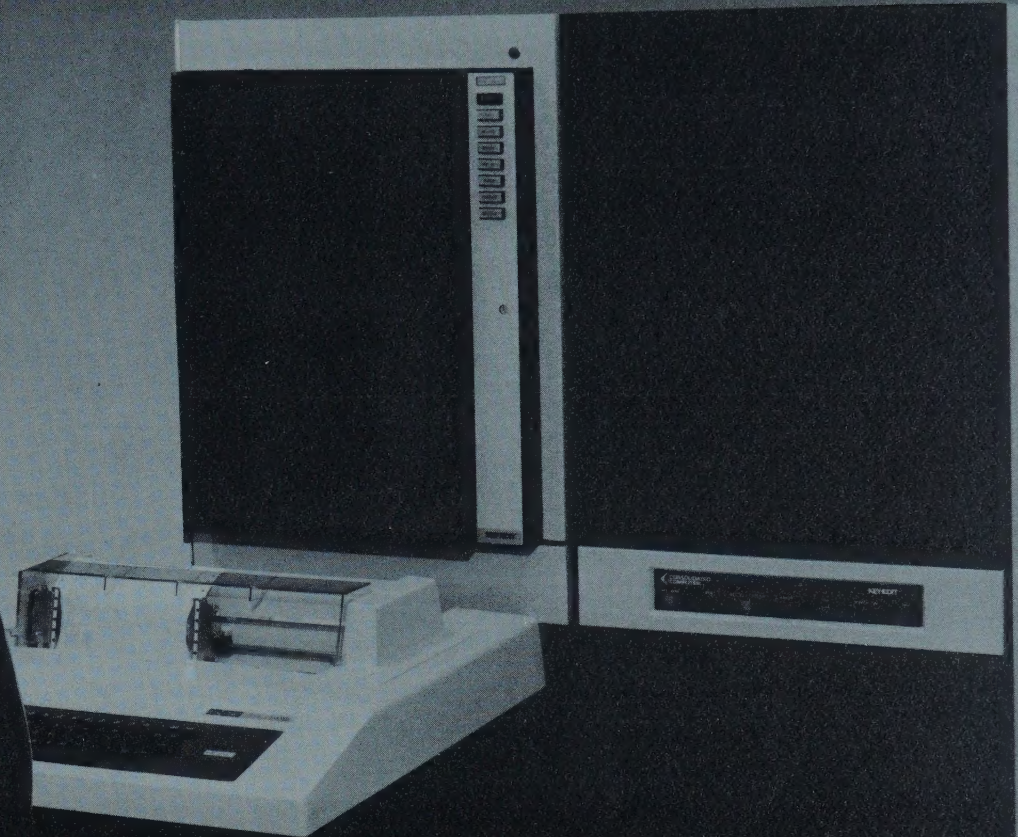
Coopers & Lybrand

### SOLICITORS

Kilgour, World, Flood & Ronson

*The KEY-EDIT 2024 system is the most sophisticated member of the new Series 2 family of distributed data entry systems.*

yesmp



## President's Report


Our Company experienced growth in earnings while expanding end-user sales during the past year. Revenues of \$18.8 million were the combination of \$16.5 million to end-user customers and \$2.3 million to various customers for resale. This mix in sales activity reflects our growing acceptance within the competitive small computer systems market in both Canada and the United States. 1977 was the first year that sales to U.S. based customers exceeded those in Canada. Total U.S. revenue of nearly \$10 million represented a 300% growth in system installations over 1976. End-user sales in Canada increased by \$3 million to \$6.5 million reflecting substantial growth in the home market. Net earnings of \$418,190 were achieved despite a slowing of orders and shipments during the 4th quarter. This slower order rate caused us to temporarily reduce production rates for certain products. We expect this condition to improve during the first six (6) months of 1978 as we release our new "Series 2" product line to the market.

The Series 2, in development since late 1976, combines higher performance at the system and software level while reducing overall costs. This product features distributed data entry processing, increased communications handling and will add file management with large screen inquiry in the Series 2, Model 2024. For production applications the Key-Edit 1000 continues to be the most comprehensive "Key to Disk"

data entry system on the market today. Our license agreement with Fujitsu Ltd., completed in March 1977, provides for the development of powerful intelligent terminal systems as well as other small computer systems and their components. The first product emanating from this license will be introduced this summer in Canada. We had planned to support the initial marketing phase with systems manufactured by Fujitsu. However, the downward movement of the Canadian dollar against the Yen has reduced our buying power and compelled us to go into immediate production of these products in Canada, thereby delaying customer availability until the 4th quarter of 1978.

Dr. Rinzo Iwai was elected to the Consolidated Computer Inc. Board of Directors in June 1977. Dr. Iwai is General Manager of Fujitsu's Small Scale Computer Systems Division and brings to the Board an extensive background in management and computer technology.

Our goals for 1978 include the introduction of Series 2, growth in both the Canadian and United States markets and a continued dedication to improved financial performance in all areas of operation. We are now positioned to experience growth consistent with the capabilities and enthusiasm of our managers and personnel. On behalf of the Board, I wish to thank these individuals for their untiring efforts in the year past.



President

## Financial Highlights

For the 1977 year, the Company realized a profit of \$418,190 on sales of \$18,812,471 compared with a profit of \$24,117 on sales of \$25,298,865 for 1976. Despite the apparent reduction in the Company's sales, new business has actually increased due to the recording in 1976 revenue of approximately \$9,962,000 of prior period leases. This was disclosed in the 1976 annual report. On that basis, new business increased over 1976 by \$3,475,606 — a significant portion being from the United States market place. Overall expenses for the year decreased by \$2,401,430 due to the Company's continued expense reduction efforts and reduction in interest cost due to the government's conversion of debt to equity in 1976. The Company's working capital portion increased by \$367,233 and was generated primarily from earnings. This gives the Company \$2,705,490 of working capital and provides a working capital ratio of 1:1.4. The working capital ratio has been further improved throughout the year by a significant reduction in the notes receivable of approximately \$5,074,380 and a corresponding equal reduction in notes payable.

The method of recording sales, utilized beginning in January 1977, was adopted to comply with industry standards of recording revenue and complies with U.S. and Canadian accounting standards. At December 31, 1977 the Company's authorized lines of credit, including the \$5,000,000 term loan, were \$10,550,000. These lines are authorized as follows:

|  |                     |
|--|---------------------|
| Toronto-Dominion Bank ...              | \$ 9,300,000        |
| First National Bank<br>of Boston ..... | 1,250,000           |
| TOTAL .....                            | <u>\$10,550,000</u> |

Subsequent to year end the Company was able to negotiate an additional \$1,000,000 line of credit with the Toronto-Dominion Bank, thus providing the Company with increased operating funds for 1978. The new loan is secured by a first charge on the Company's assets and has not been insured against loss by Her Majesty in Right of Canada as is the case with all other operating lines.

# Consolidated Balance Sheet

As at  
December 31, 1977

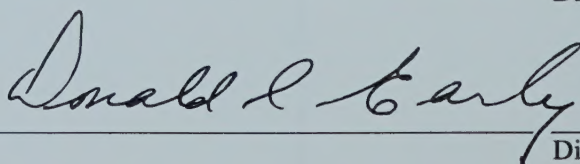
## Assets

|  | 1977<br>\$               | 1976<br>\$               |
|--|--------------------------|--------------------------|
| <b>CURRENT ASSETS</b>                              |                          |                          |
| Cash and term deposits .....                       | 32,164                   | 89,311                   |
| Accounts receivable — trade .....                  | 2,752,088                | 1,564,615                |
| — other .....                                      | 1,266,438                | 1,796,567                |
| Notes receivable — trade (note 2) .....            | 2,770,985                | 5,074,380                |
| Inventories (notes 1 and 3) .....                  | 7,587,162                | 6,919,888                |
| Due from an officer .....                          | —                        | 29,000                   |
| Prepaid expense .....                              | 201,511                  | 70,422                   |
|  | <u>14,610,348</u>        | <u>15,544,183</u>        |
| <br><b>NOTES RECEIVABLE — TRADE (note 2) .....</b> | <br>684,084              | <br>3,455,069            |
| <b>FIXED ASSETS (note 1 and 4) .....</b>           | <u>1,190,703</u>         | <u>1,394,104</u>         |
|  | <u><u>16,485,135</u></u> | <u><u>20,393,356</u></u> |

ON BEHALF OF THE BOARD



Director



Director

## Liabilities

|  | 1977<br>\$        | 1976<br>\$        |
|--|-------------------|-------------------|
| <b>CURRENT LIABILITIES</b>                                 |                   |                   |
| Bank loans and advances (note 5) .....                     | 5,418,489         | 3,545,604         |
| Accounts payable and accrued liabilities .....             | 2,957,395         | 3,677,452         |
| Due to Ontario Development Corporation .....               | 288,485           | 465,073           |
| Notes payable (note 2) .....                               | 2,770,985         | 5,074,380         |
| Taxes payable .....  | 215,146           | 189,059           |
| Current portion of long-term debt .....                    | 254,358           | 254,358           |
|  | <u>11,904,858</u> | <u>13,205,926</u> |
| <b>LONG-TERM DEBT</b> , less current portion (note 6) .... | 5,699,421         | 5,953,779         |
| <b>NOTES PAYABLE (note 2)</b> .....                        | 684,084           | 3,455,069         |
| Total liabilities .....                                    | <u>18,288,363</u> | <u>22,614,774</u> |

## Deficit less Capital Stock

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| <b>DEFICIT</b> .....          | <u>24,955,022</u>  | <u>25,373,212</u>  |
| <b>CAPITAL STOCK (note 7)</b> |                    |                    |
| Special shares .....          | 957,565            | 1,061,940          |
| Common shares .....           | <u>22,194,229</u>  | <u>22,089,854</u>  |
|                               | <u>23,151,794</u>  | <u>23,151,794</u>  |
|                               | <u>(1,803,228)</u> | <u>(2,221,418)</u> |
|                               | <u>16,485,135</u>  | <u>20,393,356</u>  |

# Consolidated Statement of Earnings and Deficit

For the year ended  
December 31, 1977

*See note!*

|  | 1977<br>\$        | 1976<br>\$        |
|--|-------------------|-------------------|
| <b>NET SALES, RENTALS AND SERVICES .....</b>                             | <u>18,812,471</u> | <u>25,298,865</u> |
| <b>COST OF SALES, RENTALS AND SERVICES .....</b>                         | <u>11,061,677</u> | <u>15,540,714</u> |
|  | <u>7,750,794</u>  | <u>9,758,151</u>  |
| <b>EXPENSE</b>   |                   |                   |
| Marketing, administrative and other .....                                | 5,627,444         | 6,647,461         |
| Research and development .....   | 1,876,160         | 2,087,088         |
| Government grants .....  | (1,193,296)       | (700,000)         |
| Interest on long-term debt .....   | 569,006           | 131,625           |
| Interest on short-term borrowings (net) .....                            | 453,290           | 1,567,860         |
|  | <u>7,332,604</u>  | <u>9,734,034</u>  |
|  | 418,190           | 24,117            |
| <b>PROVISION FOR INCOME TAXES .....</b>                                  | <u>75,000</u>     | <u>125,000</u>    |
| <b>EARNINGS (LOSS) FOR THE YEAR BEFORE<br/>EXTRAORDINARY ITEM .....</b>  | <u>343,190</u>    | <u>(100,883)</u>  |
| <b>EXTRAORDINARY ITEM</b>  |                   |                   |
| Reduction of income taxes on application<br>of prior years' losses ..... | 75,000            | 125,000           |
| <b>NET EARNINGS FOR THE YEAR .....</b>                                   | <u>418,190</u>    | <u>24,117</u>     |
| <b>DEFICIT — BEGINNING OF YEAR .....</b>                                 | <u>25,373,212</u> | <u>25,397,329</u> |
| <b>DEFICIT — END OF YEAR .....</b>                                       | <u>24,955,022</u> | <u>25,373,212</u> |
| <b>EARNINGS PER SHARE .....</b>  | <u>.02</u>        | <u>—</u>          |

# Consolidated Statement of Changes in Financial Position

For the year ended  
December 31, 1977

|   | 1977<br>\$              | 1976<br>\$              |
|---|-------------------------|-------------------------|
| <b>SOURCE OF WORKING CAPITAL</b>                                  |                         |                         |
| Earnings (loss) for the year before<br>extraordinary item .....   | 343,190                 | (100,883)               |
| Item not affecting working capital —<br>Depreciation .....        | 313,676                 | 459,682                 |
| Provided from operations .....                                    | 656,866                 | 358,799                 |
| Extraordinary item .....  | 75,000                  | 125,000                 |
| Undepreciated cost of equipment sold<br>to leasing company .....  | —                       | 5,272,000               |
| Issue of common shares .....                                      | —                       | 21,317,454              |
| Reduction of long-term notes receivable .....                     | 2,770,985               | 1,780,397               |
| Reduction of long-term debt .....                                 | —                       | 2,132,954               |
|   | <u>3,502,851</u>        | <u>30,986,604</u>       |
| <b>USE OF WORKING CAPITAL</b>                                     |                         |                         |
| Reduction of long-term notes payable .....                        | 2,770,985               | 1,780,397               |
| Purchase of fixed assets .....                                    | 110,275                 | 152,221                 |
| Reduction of long-term debt .....                                 | 254,358                 | —                       |
|   | <u>3,135,618</u>        | <u>1,932,618</u>        |
| <b>INCREASE IN WORKING CAPITAL<br/>FOR THE YEAR .....</b>         | <b>367,233</b>          | <b>29,053,986</b>       |
| <b>WORKING CAPITAL (DEFICIENCY) —<br/>BEGINNING OF YEAR .....</b> | <b>2,338,257</b>        | <b>(26,715,729)</b>     |
| <b>WORKING CAPITAL — END OF YEAR .....</b>                        | <b><u>2,705,490</u></b> | <b><u>2,338,257</u></b> |

# Notes to Consolidated Financial Statements

For the year ended  
December 31, 1977

## 1. ACCOUNTING POLICIES

### Consolidation

The consolidated financial statements include CC Consolidated Computer International, Inc., the wholly-owned United States subsidiary, and La Compagnie Canadienne d'Informatique CCI Ltée, a wholly-owned Quebec subsidiary.

### Foreign exchange

Current assets and current liabilities in foreign currencies have been converted to Canadian funds at the approximate year-end rate of exchange. The resulting gains or losses are included in the consolidated statement of earnings.

### Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

### Fixed assets

Fixed assets are valued at cost, less accumulated depreciation. Depreciation is provided from the date the assets are put into service on a straight-line basis over the estimated useful life, except for leasehold improvements, which are amortized over the life of the lease.

### Sale of leased equipment

In the current year the companies adopted the policy of recognizing equipment sales to a leasing company at the time equipment is shipped to the lessee. In prior years, sales were recorded when the documentation for the transfer and sale to the leasing company was complete. The effect of this change on the current year's operations was to increase sales by \$1,717,000 and increase gross profit by approximately \$860,000.

The agreement with the leasing company provides for certain additional amounts to be payable to the Company and its subsidiaries. These amounts have not been recognized in the accounts, as they are payable only if the leasing company achieves certain performance levels. In addition, the companies have made loans to the leasing company in the amount of \$1,764,955 which have been fully provided for in the accounts.

## 2. NOTES RECEIVABLE AND NOTES PAYABLE

The notes are receivable over a period of 36 months and are insured by the Export Development Corporation. The Company has an agreement with its bankers to finance these notes in equal amounts and on the same terms, to a maximum of \$10,000,000. Notes payable to the bank are secured by a collateral floating charge debenture and a pledge and assignment of the notes receivable. The ability of the Company to make additional borrowings under this agreement with its banker terminated on January 30, 1977.

## 3. INVENTORIES

|  | 1977<br>\$       | 1976<br>\$       |
|--|------------------|------------------|
| Marketing .....                                | 3,413,541        | 4,113,481        |
| Manufacturing, including work in process ..... | 2,484,983        | 1,691,133        |
| Repair, overhaul and field service .....       | 1,688,638        | 1,115,274        |
|  | <u>7,587,162</u> | <u>6,919,888</u> |

Under an inventory purchase agreement, an Ontario government agency purchases certain inventory components from the Company. The Company is obligated to repurchase these inventory components when they are shipped to its customers. The value of that inventory at December 31, 1977, which is not included in these financial statements, is \$1,696,431 (1976 — \$482,942).

#### 4. FIXED ASSETS

|   | 1977             |                                   | 1976             |                  |
|---|------------------|-----------------------------------|------------------|------------------|
|   | Cost<br>\$       | Accumulated<br>depreciation<br>\$ | Net<br>\$        | Net<br>\$        |
| Equipment .....   | 2,403,273        | 1,750,502                         | 652,771          | 832,768          |
| KEY-EDIT 100 equipment on lease ...                     | 373,970          | 373,970                           | —                | —                |
| Furniture, fixtures and<br>leasehold improvements ..... | 1,126,619        | 588,687                           | 537,932          | 561,336          |
|   | <u>3,903,862</u> | <u>2,713,159</u>                  | <u>1,190,703</u> | <u>1,394,104</u> |

#### 5. BANK LOANS AND ADVANCES

Book debts, inventories and a \$3,000,000 floating charge debenture have been given as a security for loans and advances of \$8,948,606. The authorized bank line of credit is \$9,300,000 including the \$5,000,000 term loan (note 6). The \$3,000,000 floating charge debenture is subordinate to the \$10,000,000 floating charge debenture referred to in note 2.

#### 6. LONG-TERM DEBT

|   | 1977<br>\$       | 1976<br>\$       |
|---|------------------|------------------|
| 9% unsecured Series Two Notes, to mature<br>\$254,358 per annum of principal amount payable<br>on December 31 of each year from 1975 to 1980<br>and the balance on December 31, 1981 .....  | 953,779          | 1,208,137        |
| Bank term loan bearing interest at rates varying<br>from prime plus ½% to 1%, repayable in semi-<br>annual amounts of \$500,000 commencing June 30,<br>1979 secured by an assignment of book debts and<br>pledge of inventory ..... | <u>5,000,000</u> | <u>5,000,000</u> |
|   | 5,953,779        | 6,208,137        |
| Less: Current portion .....   | <u>254,358</u>   | <u>254,358</u>   |
|   | <u>5,699,421</u> | <u>5,953,779</u> |

Under the terms of a bank loan agreement the Company:

- (a) must maintain consolidated working capital of \$2,250,000;
- (b) may not exceed specified aggregate amounts of capital expenditures and lease commitments in any one year.

#### 7. CAPITAL STOCK

The authorized common and special shares have been increased and decreased respectively by a like amount on conversion of special shares into common.

|                                | Common shares<br>of no par value |                   | Convertible<br>special shares<br>without par value |                | Total shares      |                   |
|--------------------------------|----------------------------------|-------------------|--|----------------|-------------------|-------------------|
|                                | Shares                           | \$                | Shares   | \$             | Shares            | \$                |
| Authorized .....               | <u>20,478,566</u>                |                   | <u>1,771,434</u>                                   |                | <u>22,250,000</u> |                   |
| Issued and<br>fully paid ..... | <u>17,863,247</u>                | <u>22,194,229</u> | <u>670,850</u>                                     | <u>957,565</u> | <u>18,534,097</u> | <u>23,151,794</u> |

In any one year the non-voting convertible special shares are preferred as to the first 10¢ per share dividend declared. The common shares are entitled to the next 10¢ of dividend declared, and thereafter the two classes of shares participate equally in dividends declared.

From December 31, 1975 the holders of the convertible special shares are entitled to convert any or all of the non-voting special shares into common shares of the Company on a share-for-share basis. 73,134 special shares were converted during the year into 73,134 common shares.

500,000 common shares have been reserved for the exercise of stock options granted to employees and exercisable at various times to June, 1982 at an option price of \$.15 per share.

Under an agreement Fujitsu Limited has received an option to purchase 1,000,000 common shares at a price equal to the greater of \$1.00 per share and the book value per share as at the end of the year preceding the exercise date. The option expires December 20, 1978. 1,000,000 common shares have been reserved for this option.

#### **8. INCOME TAXES**

At December 31, 1977, the Company and its U.S. subsidiary had significant losses to carry forward to apply against future profits to reduce income taxes.

#### **9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS**

Total remuneration paid to directors and senior officers as defined by The Business Corporations Act for the year was \$384,857.

#### **10. LEASE COMMITMENTS**

Total rentals paid for the year ended December 31, 1977 and the approximate total of future commitments are:

|  |             |
|--|-------------|
| Year ended December 31, 1977 .....     | \$ 608,734  |
| January 1, 1978 to June 30, 1983 ..... | \$1,799,000 |

#### **11. CONTINGENT LIABILITIES**

At December 31, 1977 the Company was contingently liable for open letters of credit of \$158,850.

#### **12. SUBSEQUENT EVENT**

Subsequent to the year end the companies obtained an additional line of credit of \$30,000,000 under their purchase agreement with the leasing company. A change to the financing structure of the leasing company allowing it to purchase additional equipment out of its current cash flows has also increased the maximum purchases of leased equipment the leasing company can make. Management estimates that the leasing company will have a maximum of approximately \$80,000,000 available for future purchases of leased equipment from the companies.

*Sikorsky Aircraft, a division of United Technologies Corporation, located in Stratford, Connecticut, is one of the largest manufacturers of commercial and military helicopters in the world. Sikorsky uses a KEY-EDIT 1000 system to process manufacturing applications.*



# Auditors' Report

April 12, 1978

## TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consolidated Computer Inc. and its subsidiary companies as at December 31, 1977 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1977 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles. Further, in our opinion, except for the change in recognizing sales of leased equipment as referred to in note 1 to the financial statements, such accounting principles have been applied on a basis consistent with that of the preceding year.

**COOPERS & LYBRAND**  
Chartered Accountants



*Canada Permanent Trust Company, one of the largest Canadian-owned trust companies, uses a KEY-EDIT 60 multiple terminal system to process financial applications and to communicate with a large scale computer system.*

*La Regie De L'Assurance Maladie du Quebec has one of the largest Key-Edit 1000 installations in the world. Eight systems with 150 data terminals process a large variety of medical applications for the government of Quebec.*

## **OFFICES AND PLANT**

### **Head Office and Manufacturing Plant**

2421 Lancaster Road  
Ottawa, Ontario  
K1B 4L5

### **CC Consolidated Computer International Inc.**

275 Wyman Street  
Waltham, Mass.  
02154

### **LaCompagnie canadienne d'informatique [CCI] ltée.**

2 Place Quebec, Suite 344  
Quebec City, P.Q.  
G1R 2B5

## **SALES AND SERVICE LOCATIONS**

### **Canada**

Edmonton, Alta.  
Fredericton, N.B.  
Halifax, N.S.  
Hamilton, Ont.  
Kitchener, Ont.  
London, Ont.  
Montreal, P.Q.  
Ottawa, Ont.  
Quebec City, P.Q.  
Regina, Sask.  
Toronto, Ont.  
Vancouver, B.C.  
Winnipeg, Man.

### **U.S.A.**

Atlanta/Macon, Ga.  
Boston, Mass.  
Chicago, Ill.  
Cleveland/Akron, Ohio  
Columbus, Ohio  
Dallas/Houston, Tex.  
Harrisburg, Pa.  
Hartford, Conn.  
Los Angeles, Cal.  
Minneapolis, Minn.  
New York, N.Y.  
Philadelphia, Pa.  
Phoenix, Ariz.  
San Francisco, Cal.  
Springfield, Ill.  
Washington, D.C.



# AR45

**CONSOLIDATED COMPUTER INC.  
CONSOLIDATED STATEMENT OF CHANGES  
IN FINANCIAL POSITION  
FOR THE SIX MONTHS ENDED 30 JUNE 1977  
(Unaudited)**

|  | 1977<br>\$ |
|--|------------|
| <b>Source of Funds:</b>                        |            |
| Operation:                                     |            |
| Items not affecting working capital            | 56,000     |
| Depreciation                                   | 145,000    |
|  | 201,000    |
| Repayment of long term notes receivable        | 1,674,000  |
|  | 1,875,000  |
| <b>Use of Funds:</b>                           |            |
| Repayment of long term notes payable           | 1,674,000  |
| Increase (Decrease) in Working Capital         | 201,000    |
| Working Capital (Deficiency) Beginning of Year | 2,339,000  |
| Working Capital (Deficiency) End of Period     | 2,540,000  |



2421 LANCASTER ROAD, OTTAWA, ONTARIO, CANADA

Report to our Shareholders  
for the Six Months ended

**June 30, 1977**

# Six Month Statement

June 30, 1977

## To our Shareholders

Net sales, rentals and services for the six month ended 30 June 1977 were \$8,330,000 compared with a reported \$13,947,000 for the same period in 1976. As noted on our 1976 audited financial statements, sales for 1976 included equipment placed on lease in prior years. At June 30, 1976 approximately \$7,781,000 of such business was included in the sales and cost of sales of the 1976 period; thus an actual increase in new business of \$2,164,000 was achieved for the comparable six month period.

The Company's emphasis on the end user market in North America continues, and the trend in sales from OEM to end user has developed as expected resulting in 87.2% of sales for the six months being generated in the end user market.

To assist in this emphasis the Company opened new offices during the six months in Los Angeles, San Francisco, Phoenix and Dallas.

At June 30, 1977 the Company had a North American end user revenue backlog of \$4,100,000.

The Company had a profit for the period of \$56,000 compared with a loss of \$2,466,000 for the same period in 1976. Several major factors contributing to the improvement were:

- (1) shift in sales from unprofitable OEM sales to North American end user sales
- (2) reduction of interest expenses due to conversion of debt to equity
- (3) overall reduction in operating expenses and product cost.

It is anticipated that the trend established in the first six months of the year will continue and the significant improvements will result in the Company's profitability for the next six months.

L.K. Sellmeyer  
President

## CONSOLIDATED COMPUTER INC. CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED 30 JUNE 1977 (Unaudited)

|   | 1977<br>\$ | 1976<br>\$  |
|---|------------|-------------|
| <b>Net Sales, Rentals and Services</b>              | 8,330,000  | 13,947,000  |
| <b>Cost of Sales and Services</b>                   | 4,960,000  | 9,348,000   |
|   | 3,370,000  | 4,559,000   |
| <b>Expenses</b>                                     |            |             |
| Marketing, Administration and other                 | 2,312,000  | 4,106,000   |
| Research and Development —                          |            |             |
| Net of government grants                            | 1,479,000  | 1,243,000   |
| Interest  | 480,000    | 1,716,000   |
|   | 3,271,000  | 7,065,000   |
| <b>Profit (Loss) for this period</b>                | 56,000     | (2,466,000) |
| Total Number of Common & Special Shares Outstanding | 18,534,096 | 4,437,958   |
| Profit (Loss) per share                             | * —        | (\$.556)    |

\* Earnings per share and fully diluted earnings per share for the current period have not been calculated as the amount is not significant.